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UniSource Energy Corporation

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2008 SEP 17 P 4: 02

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September 17, 2008

AZ CORP COMMISSION
DOCKET CONTROL

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED
SEP 17 2008
DOCKETED BY

RE: Tucson Electric Power Company and UNS Electric, Inc.
Comments on Resource Planning Draft Rules
DOCKET NO. E-00000E-05-0431

Dear Docket Control:

Introduction

At the August 29, 2008 Resource Planning workshop, Commission Staff requested that interested parties provide written comments regarding modifications to the Resource Planning Rules found in the Arizona Administrative Code (A.A.C.) R14-2-701, 702, 703 and 704. Tucson Electric Power Company ("TEP") and UNS Electric, Inc., ("UNS Electric") (collectively the "Companies") hereby submit their proposed changes to the Resource Planning Rules in redlined format. General comments regarding the Companies proposed changes to the integrated resource planning process and the Resource Planning Rules are provided below.

Integrated Resource Planning Process

The resource planning process should serve to inform the Commission, the public and other interested stakeholders of the assumptions used to develop and implement a long-term resource strategy. The resource planning process should be flexible so that load serving entities ("LSEs") can take advantage of opportunities that become available. LSEs must have the ability to modify their resource plans as circumstances change. The resource planning process should include the use of sensitivity analyses to evaluate the tradeoffs between financial, regulatory, environmental, and operational risks associated with various resource options.

The resource planning concepts referenced in Oregon PUC Order No. 89-507 provide a balanced approach for all stakeholders. The Oregon PUC rules require that energy utilities: (1) evaluate resources on a consistent and comparable basis; (2) consider risks and uncertainty; (3) select a portfolio of resources with the best combination of expected costs and associated risks and uncertainties for the utility and its customers; and (4) create a plan that is consistent with long-term public interests.

Resource Planning Timeframes

The Companies support an IRP planning horizon of 15 years with a resource plan filing requirement every two years. TEP and UNS Electric are recommending a resource plan filing date of April 1 every other year, rather than December 31. The April 1 date will allow for updates from the most current annual 10-year transmission plan and will be consistent with section R14-2-703 for the Demand-Side and Supply-Side reporting requirements.

Section R14-2-703 Utility Reporting Requirements

The Companies are proposing to separate the historical reporting requirements for generating resources from those of purchased power contracts; certain components of generating unit information are distinct and not applicable to purchased power information. TEP and UNS Electric believe the proposed changes add clarity to the reported information without compromising the content. A notable proposed change is TEP's suggestion to report average purchased power costs by counterparty. TEP and UNS Electric engage in thousands of transactions each year. Reporting transactions individually is feasible, however TEP believes a summary report is more meaningful to a reviewer.

Section R14-2-704 Commission Review of Utility Plans

In regard to the Commission's review of the resource plans, Commission Staff indicated at the August 29, 2008 workshop that it had tried to incorporate the "acknowledgement" concept similar to the Oregon PUC Order No. 89-507. TEP and UNS Electric support an "acknowledgement" concept similar to the Oregon PUC Order No. 89-507. Order No. 89-507 sets forth the Commission's role in reviewing and acknowledging a utility's resource plan as follows:

> When a plan is acknowledged by the Commission, it will become a working document for use by the utility, the Commission, and any other interested party in a rate case or other proceeding before the Commission.
>
> Consistency with the plan may be evidence in support of favorable rate-making treatment of the action, although it is not a guarantee of favorable treatment. Similarly, inconsistency with the plan will not necessarily lead to unfavorable rate-making treatment, although the utility will need to explain and justify why it took an action inconsistent with the plan.
>
> We consider the integrated resource planning process to complement the rate-making process. In rate-making proceedings in which the reasonableness of resource acquisitions is considered, the Commission will give considerable weight to utility actions which are consistent with acknowledged integrated resource plans. Utilities will also be expected to explain actions they take that may be inconsistent with Commission-acknowledged plans.

Section R14-2-705 Procurement

The Companies support the incorporation of Best Practices into the Resource Planning Rules. The Commission-approved Recommended Best Practices for Procurement state that a utility is not required to use an RFP process when the planning horizon is less than two years. TEP and UNS Electric used the two-year horizon to re-format the Best Practices procurement methods. The Companies believe this modification adds clarity to R14-2-705, sections A and B.

TEP and UNS Electric appreciate the opportunity to provide comments and suggestions on these important rules. The Companies look forward to a continuing dialogue and future workshops on the subject.

Sincerely,

Michelle Livengood

Michelle Livengood
Regulatory Counsel

Enclosure: Draft Resource Planning Rules

CC: Ernest Johnson
Terri Ford
Barbara Keene

Emailed: Parties of Record

WORKING DOCUMENT

ARTICLE 7. RESOURCE PLANNING

R14-2-701. Definitions

The following definitions shall apply unless the context otherwise requires:

1. "Acknowledgement" – the Commission's finding of the reasonableness of a utility's plan that is based upon a determination that the plan considered all relevant resources, risks and uncertainties know or knowable, and produces a plan for needed resources that is in the best interests of customers at the time of the Commission's determination.

2. ~~1.~~ "Benchmark" - to calibrate against a known set of values or standards.
3. ~~2.~~ "Book life" - the expected time period over which a power supply source will be available for use by the utility.
4. ~~3.~~ "Capacity" - the amount of electric power which a power source is rated.
5. ~~4.~~ "Capital costs" - the construction and installation cost of facilities including land, land rights, structures, and equipment.
6. ~~5.~~ "Cogeneration" - the sequential production of electricity and heat, steam, or useful work from the same fuel source??.
7. ~~6.~~ "Coincident peak" - The sum of two or more peak demands which occur in the same demand interval. Demand intervals are defined on an annual, monthly or hourly- basis.

~~the highest recorded electricity demand of all customer classes combined.???~~

8. ~~7.~~ "Customer class" - a group of customers with similar characteristics such as amount of energy consumed; amount of demand placed on the energy supply system at the system peak; hourly, daily, or seasonal load pattern; type of activity engaged in by the customer; and location. Customer classes may include residential, commercial, industrial, agricultural, municipal, and other categories.
9. ~~8.~~ "Decommissioning" - the process of safely and economically removing a unit from service.
10. ~~9.~~ "Demand management" - beneficial reduction in the total cost of meeting electric energy service needs by reducing or shifting in time the demand for electricity.
11. ~~10.~~ "Derating" - reduction in a unit's capacity.
12. ~~11.~~ "Discount rate" - the interest rate used to calculate the present value of a cost or other economic variable.
13. ~~12.~~ "Emergency" - an unknown and unforeseeable condition (i) not arising from acts or omissions by the utility which are not in accord with good utility practice, (ii) that is temporary in nature, (iii) that threatens reliability or poses some other significant risk to the system, and (iv) where the subject procurement is not greater in quantity or duration than what is necessary for the utility to restore the system to a safe and reliable condition.
14. ~~13.~~ "End use" - the final application of electric energy such as heating, cooling, running a particular appliance, or lighting.
15. ~~14.~~ "Energy losses" - electric energy not available for sale to end users, for resale, or for use by the utility, attributable to transmission, conversion, distribution, and

unaccounted for losses.

16. ~~15.~~ "Escalation" - the change in costs due to inflation, changes in manufacturing processes, availability of labor or materials, or other factors.
17. ~~16.~~ "Heat rate" - a measure of generating station thermal efficiency expressed in British thermal units (Btus) per net kilowatt-hour and computed by dividing the total Btu content of fuel used for electric generation by the kilowatt-hours of electricity generated.
18. ~~17.~~ "Interchange" - electric energy received by the electric utility from another provider of electricity or supplied by the electric utility to another provider of electricity which is not purchased or sold under the terms of a long-term agreement.
19. ~~18.~~ "Interruptible power" - power made available under agreements which permit curtailment or cessation of delivery by the supplier.
20. ~~19.~~ "In-service date" - the date a power supply source becomes available for use by the utility.
21. ~~20.~~ "Maintenance" - the repair of generation, transmission, distribution, and administrative and general facilities, replacement of minor items, and installation of materials to preserve the efficiency and working condition of the facilities.
22. ~~21.~~ "Mothballing" - the temporary removal of a unit from active service and accompanying long-term storage activities.
23. ~~22.~~ "Operate" - to manage or otherwise be responsible for the production of electricity from a generating facility, whether that facility is owned by the operator, in whole or in part, or whether that facility is owned by another entity.
24. ~~23.~~ "Operating costs" - the power production costs that are directly related to producing electricity.
25. ~~24.~~ "Participation rate" - the proportion of customers who take part in a specific program.
26. ~~25.~~ "Probabilistic analysis" - a systematic evaluation of the effect on costs, reliability, or other measures of performance of the range of possible events affecting factors which influence performance, considering the chances that the events will occur.
27. ~~26.~~ "Production cost" - the variable operating and maintenance cost (including fuel cost) of producing electricity through generation and purchases of power sufficient to meet demand.
28. ~~27.~~ "Refurbish" - to make major changes in the power production, transmission, or distribution characteristics of a component of the power supply system more extensive than maintenance or repair, such as changing the fuels which can be used in a generating unit or changing the capacity of a generating unit.
29. ~~28.~~ "Reliability" - a measure of the ability of the utility's generation, transmission, and distribution systems to provide power without failures. Reliability should be measured separately for generation, transmission, and distribution systems. Measures may reflect the proportion of time that each system is unable to meet demand or the kilowatt-hours of demand that could not be supplied.
30. ~~29.~~ "Reserve requirements" - the capacity which the utility must maintain in excess of its peak load to provide for scheduled maintenance, forced outages, unforeseen loads, emergencies, system operating requirements, and power pool requirements.
31. ~~30.~~ "Resource planning" - integrated supply and demand analysis for the purpose of identifying the means of meeting electric energy service needs at the lowest total cost, taking into account uncertainty.

32. ~~31.~~ "Self generation" - the production of electricity by an end user by any means including cogeneration.
33. ~~32.~~ "Sensitivity analysis" - a systematic assessment of the degree of response of costs, reliability, or other measures of performance to changes in assumptions about factors which influence performance.
34. ~~33.~~ "Spinning reserve" - the capacity which the utility must maintain connected to the system and ready to deliver power promptly. The capacity may be expressed as a percentage of peak load, as a percentage of the largest unit, or as fixed megawatts.
35. ~~34~~ "Staff" - Employees of the Arizona Corporation Commission, Utilities Division.
36. ~~35.~~ "Total cost" - all capital, operating, maintenance, fuel, and decommissioning costs incurred in the provision or conservation of electric energy services borne by end users, utilities, or others, and costs associated with mitigating any adverse environmental effects.
37. ~~36.~~ "Unit" - a specific device or set of devices that converts one form of energy (such as heat or solar energy) into electric energy such as a turbine and generator or set of photovoltaic cells; a power plant may have multiple units.
38. ~~37.~~ "Utility" - the public service corporation providing electric service to the public.

R14-2-702. Applicability

A. All Load Serving Entities (LSE) ~~electric utilities~~ under the jurisdiction of the Commission pursuant to Arizona Constitution Art. XV and Arizona Revised Statutes Title 40 which provide electric service to retail customers~~operate or own (in part or in whole) generating facilities, whether the power generated is for sale to end users or is for resale~~, are subject to the provisions of this Article.

B. Any other entity~~electric utility~~ under the jurisdiction of the Commission pursuant to Arizona Constitution Art. XV and Arizona Revised Statutes Title 40 is subject to the provisions of this Article upon two years' notice by the Commission.

C. The Commission may exempt an LSE ~~utility~~ from these requirements or make modifications upon a demonstration by the ~~utility~~ LSE that the burden of compliance with this Article exceeds the potential for cost savings resulting from its participation.

R14-2-703. ~~Utility~~ Load Serving Entity reporting requirements

A. Demand side data. Each ~~utility~~LSE shall file in Docket Control the demand data indicated in subsections (A)(1) through (4) below, by April 1 of each year. If records are not maintained for any item, the ~~utility~~LSE shall provide its best estimates, such as sample survey data, application of factors from one year's data to another year, or other methods, and fully describe how such estimates were made.

1. Hourly demand for the previous calendar year disaggregated by:
   a. Sales to end users,
   b. Sales for resale,
   c. Energy losses, and
   d. Other disposition of energy such as energy furnished without charge and energy used by the utility.
2. Coincident system peak demand (megawatts) and energy ~~demand~~consumption (megawatt-hours) by month for the previous 10 years disaggregated by customer class.
3. Number of customers by customer class by year for the previous 10 years.

4. Reduction in load (kilowatt and kilowatt-hours) due to existing demand management measures, by type of demand management measure, in the previous calendar year.

B. Supply side data. Each LSE~~utility~~ shall file in Docket Control the supply data indicated in subsections (B)(1) through (4) below by April 1 of each year. If records are not maintained for any item, the ~~utility~~LSE shall provide its best estimates and fully describe how those estimates were made.

1. For each generating unit ~~and purchased power contract~~ for the previous calendar year:
    a. In-service date and book life~~ or contract period~~,
    b. Type of generating unit~~ or contract~~,
    c. Capacity in megawatts (utility share),
    d. Maximum unit capacity,~~ or contract capacity by hour, day, or month, if such capacity varies over the year.~~
    e. Annual capacity factor~~ (generating units only)~~,
    f. Average heat rate of generating units and, if available, heat rates at selected output levels,
    g. Average ~~F~~fuel cost for generating units in dollars per million Btu for each type of fuel,
    h. Other variable operating and maintenance costs for generating units in dollars per megawatt hour,
    ~~i. Purchased power energy costs for contract purchases in dollars per megawatt-hour,~~
    ~~j~~i. Fixed operating and maintenance costs of generating units in dollars per megawatt for the year,
    ~~k. Demand charges for purchased power,~~
    ~~l~~j. Fuel types for generating units,
    ~~m~~k. Minimum capacity at which the unit would be run~~ or power must be purchased~~,
    ~~n~~l. Whether, under standard operating procedures, the generating unit must be run if it is available to run,
    ~~o~~m. ~~d~~Designation of the capacity type of a generating unit as base load, intermediate, or peaking, and~~.~~
    ~~p~~n. ~~Environmental impacts, including a~~Air emission quantities (metric tons or pounds) and rates (quantities per megawatt-hour) for carbon dioxide, sulfur dioxide, nitrogen oxides, mercury, and particulates~~, and other air emissions subject to current or known future environmental regulation~~; and water consumption quantities and rates.
2. For purchased power contracts for the previous calendar year:
    a. Maximum capacity in megawatts of each capacity purchase contract by hour, day, or month if such capacity varies,
    b. Average monthly purchased power energy costs by counterparty in dollars per megawatt-hour, and
    c. Demand charges and total cost of demand for firm capacity purchase contracts.
~~2~~3. Summary of system dispatch requirements~~For the power supply system~~ for the previous calendar year:
    a. A description of unit commitment procedures,
    b. Production cost,
    c. Reserve requirements,
    d. Spinning reserve,

    e. Reliability of generating, transmission, and distribution systems,
    f. Interchange purchase and sale prices, averaged by month, and
    g. Energy losses.
  ~~3~~4. The level of cogeneration and other forms of self generation in the ~~utility~~LSE's service area for the previous calendar year.
  45. ~~As available, a description and map of the~~Summary of the LSE's ~~utility's~~ transmission scheduling ~~system, including the~~ capacity for the previous calendar year.~~[to be further defined]of each segment of the transmission system~~.

C. Demand forecasts. Each ~~utility~~LSE shall provide the following data and analyses to the Commission by ~~December 31, 2009~~April 1, 2010, and every two years thereafter. If no changes are forecast for any item, the ~~utility~~LSE may refer to previous filings for that item.
  1. ~~Ten~~Fifteen-year forecast of system coincident system peak load (megawatts) and energy demanded (megawatt hours) by month and year, separately for residential, commercial, industrial, interruptible, and other customers, for resale, and for energy losses.
  2~~3~~. Disaggregation of the demand forecast of subsection (C)(1) into a component in which no additional demand management measures are assumed, and a component indicating the change in load due to forecasted demand management measures.
  3~~4~~. Descriptions of demand management programs and measures included in the demand forecast, including:
    a. Plans for implementing the demand management measures,
    b. The participation rate of customers by customer class with regard to each demand management measure,
    c. The expected change in demand resulting from each of the measures, and
    d. The life of each program.
  4~~5~~. Description of each demand management program which was considered but rejected and the reasons for rejecting each program.
  5~~6~~. The capital and operating and maintenance costs of each demand management measure considered, including practical measures which were rejected.
  6~~7~~. Documentation of all data, analyses, methods, and assumptions used in making the demand forecasts, including:
    a. A description of how the forecasts were benchmarked,
    b. Justifications for selecting the methods and assumptions used, and
    c. If requested by the staff, data used in the analyses.
  7~~8~~. If any data in section 703 is deemed confidential it will be filed pursuant to the terms of a confidentially agreement.

D. ~~Supply~~Resource plans. Each ~~utility~~LSE shall provide the following data and analyses to the Commission by ~~December 31, 2009~~April 1, 2010, and every two years thereafter. If no changes are forecast for any item, the ~~utility~~LSE may refer to previous filings for that item.
  1. ~~Ten~~Fifteen-year plan providing for each year:
    a. The data required in subsection (B)(1)(a) through (p) of this Section for each generating unit and purchased power source, and the data required in subsection (B)(2)(a) through (g) of this Section.
    b. For each generating unit that is new or refurbished during the period:
      i. The data required in subsection (B)(1) of this Section for applicable years, and
      ii. The capital cost, construction time, and construction spending schedule.

c. The escalation levels assumed for each component of cost for each generating unit and purchased power source.

d. For the discontinuation, decommissioning, or mothballing of any power source and permanent deratings of any generating facility:

i. Identification of the power sources or units involved,

ii. The costs and spending schedule of such discontinuation, decommissioning, mothballing, or derating, and

iii. The reasons for discontinuation, decommissioning, mothballing, or derating.

e. The capital and operating and maintenance costs of new or refurbished transmission and distribution facilities, and a description of the need for and purpose of such facilities. The utility shall incorporate its most recent transmission plan filed pursuant to A.R.S. 40-360.02.A and any relevant provisions of the Commission's most recent decision on Biennial Transmission Assessment regarding the adequacy of transmission facilities in the state of Arizona.

~~f. Cost analyses and cost projections.~~

2. Documentation of the data, assumptions, and methods or models used to forecast production costs and power production in subsection (D)(1) of this Section, including the method by which the forecast was calibrated or benchmarked.

3. Description of each potential power source which was rejected, the capital and operating and maintenance costs of each rejected source, and the reasons for rejecting each source.

4. ~~Ten~~Fifteen-year forecast of cogeneration and other self generation by customers of the ~~utility~~LSE in terms of annual peak production (megawatts) and annual energy production (megawatt hours).

5. Disaggregation of the forecast of subsection (D)(4) of this Section into a component in which no additional efforts are made to encourage such generation, and a component consisting of the change in supply due to additional forecasted cogeneration and self generation measures.

6. ~~Ten~~Fifteen-year forecast of capital and operating and maintenance costs by year of all cogeneration and other self generation included in subsection (D)(5) of this Section.

7. Documentation of the analysis of cogeneration and other self generation in subsection (D)(4) through (6) of this Section.

~~8. A plan to consider generation using a diverse range of fuels and technologies, including nuclear and renewable resources.~~

~~9. Calculation of the benefits of renewable resources.~~

~~10. Calculation of costs to back-up renewable resources.~~

~~11. A plan to increase the efficiency of the utility's fossil fuel generation.~~

~~12. Data to support technology choices for peaking, intermediate, and baseload plants.~~

E. ~~E.~~ Resource planning analyses.

Each LSE shall provide to the Commission the following information by April 1, 2010, and every two years thereafter:

1. Planning analyses that supports the integrated resource planning process:

a Analyses that considers a diverse range of fuels and technologies,

b.~~,~~ Analyses that considers improvements in the efficiency of existing generation resources,

c.~~,~~ Analyses that factors in the costs associated with intermittent resource integration, including backup generation costs,

d. Analyses that considers the benefits of zero-emission resources, and

e. Analyses that supports the technology choices for peaking, intermediate, and baseload plants.

2. Analyses of uncertainty. Analyses using appropriate methods such as sensitivity analyses and probabilistic analyses, to assess forecast uncertainty in:

a. Demand,

b. Resource acquisition costs for both demand-side and supply-side alternatives,

c. Resource availability and technology feasibility,

d. Environmental emission cost compliance,

e. Fuel prices, and

f. Other risk factors or future scenarios which the utility deems relevant ~~Analyses of uncertainty. Each utility shall provide to the Commission the following information by December 31, 2009, and every two years thereafter:~~

~~1. Analyses using appropriate methods such as sensitivity analyses and probabilistic analyses, to assess errors and uncertainty in:~~

~~a. Demand forecasts,~~

~~b. The costs of demand management measures and power supply,~~

~~c. The availability of sources of power,~~

~~d. costs of complying with known environmental regulations.~~

~~e. any analysis that the utility has done in consideration of the likelihood of additional or enhanced environmental requirements,~~

~~f. Changes in fuel prices, and~~

~~g. Other factors which the utility wishes to consider.~~

~~2~~3. Identification of those options which enable the ~~utility~~LSE to best respond to significant changes in conditions and circumstances where~~whose~~ future characteristics are uncertain, including:

a. Continual monitoring of critical variables and making commensurate changes in plans if those variables deviate significantly from the forecast,

b. Developing a diversified resource portfolio,

c. Participating in regional generation and transmission projects, and

d. Participating in research pilot programs including new ~~technolgies~~technologies.

~~b. Building several smaller units instead of one large unit,~~

~~c. Sharing capacity with other utilities, and~~

~~d. Conducting well monitored pilot programs.~~

F. Integrated resource plan. Each ~~utility~~LSE shall provide the Commission with an integrated resource plan by ~~December 31, 2009~~ April 1,2010, and every two years thereafter containing:

1. The ~~fifteen~~fifteen--year preferred plan or flexible set of plans which, on the basis of the analyses required in this Article, should provide the framework for ensuring reliable, low-cost electric service while effectively managing risk and future uncertainty.

~~including the uncertainty analysis, will tend to minimize the present value of the total cost of meeting the demand for electric energy services.~~

2. Complete description and documentation of the resource plan, including supply and demand

side conditions, availability of transmission, costs, and discount rates utilized.

3. A~~n~~ two--year action plan indicating the supply--and demand-related actions to be undertaken by the ~~utility~~LSE over the next two years in furtherance of the ~~ten~~fifteen-year plan.
4. A comprehensive, self-explanatory load and resources table summarizing the ~~utility~~LSE's plan.
5. A brief executive summary.
6. An index to indicate where the filing requirements can be found.
7. Definitions of terms.

G. Work plan. Each ~~utility~~LSE shall provide the Commission with a work plan no later than twelve months prior to the due date of an integrated resource plan. The work plan shall include:

1. An outline of the content of the integrated resource plan to be developed by the ~~utility~~LSE,
2. The ~~utility~~LSE's method for assessing potential resources, and
3. An outline of the timing and extent of public participation and advisory group meetings.

H. Action Plan. Each LSE shall provide the Commission with an action plan based on the results of the integrated resource planning process. The action plan would:

1. Include a summary of actions to be taken on future resource acquisitions.
2. Include details on resource types, resource capacity, and resource timing.
3. Cover a timeframe of a minimum of two years following the Commission's acknowledgement of the resource plan and action plan.

R14-2-704. Commission review of utility plans

A. ~~Within 120 days of the~~ Upon submission of demand forecasts, supply plans, uncertainty analyses, and integrated resource plans and action plans by the ~~utilitie~~LSE~~s~~, the Commission shall schedule an evidentiary hearing or hearings to review ~~utility~~the LSE's filings and to determine whether to order an acknowledgment of the integrated resource plan. Acknowledgment of a plan signifies the integrated resource plan and action plans are ~~means only that the plan seems~~ reasonable to the Commission at the time the acknowledgment is given. ~~No particular ratemaking treatment shall be implied nor inferred by the Commission's acknowledgement~~. When the integrated resource and action plans are acknowledged by the Commission, they will become working documents for use by the LSE, the Commission, and any other interested party in a rate case or other proceeding before the Commission. Consistency with the plans may be evidence in support of favorable rate-making treatment of the action, although it is not a guarantee of favorable treatment. Similarly, inconsistency with the plans will not necessarily lead to unfavorable rate-making treatment, although the LSE will need to explain and justify why it took an action inconsistent with the plans.

B. The Commission may request additional analyses to be conducted by the ~~utilities~~LSE to improve specified components of the ~~utilities'~~LSE's analyses.

C. In making its acknowledgment determination, the Commission shall consider the following factors:

1. The total cost of electric energy services.

2. The degree to which the factors which affect demand, including demand management, have been taken into account.
3. The degree to which non-utility supply alternatives, such as cogeneration and self generation, have been taken into account.
4. Uncertainty in demand and supply analyses, forecasts, and plans, and the flexibility of plans enabling response to unforeseen changes in supply and demand factors.
5. The reliability of power supplies, including fuel diversity and non-cost considerations.
6. The reliability of the transmission grid.

D. The Commission will consider the information reported in the integrated resource plan when it evaluates the performance of the utility in rate and other proceedings. In rate-making proceedings in which the reasonableness of resource acquisitions is considered, the Commission will give considerable weight to utility actions which are consistent with acknowledged integrated resource plans. ~~Utilities~~LSEs will also be expected to explain actions they take that may be inconsistent with Commission-acknowledged plans

E. The IRP process should be flexible so that ~~utilities~~LSEs can take advantage of opportunities that become available. LSEs must have the ability to modify their resource plans as circumstances change.LSEs will be encouraged to file updated action plans outside of the biannual filing requirement when opportunities arise or conditions change that would justify the LSE to significantly deviate from the prior acknowledged action plans. LSEs can seek Commission acknowledgement on specific exceptions from, or request approval on, actions to be executed outside the biannual process.

R14-2-705. Procurement

~~A. The following procurement methods are considered to be acceptable for the wholesale acquisition of energy, capacity, and physical power hedge transactions:~~

~~1. Purchases through third party, on-line trading systems, including but not limited to the Intercontinental Exchange, Bloomberg, California Independent System Operator, New York Mercantile Exchange, or similar on-line third party systems.~~

~~2. Purchases from qualified, third party, independent energy brokers.~~

~~3. Purchases from non-affiliated entities through auctions or a request for proposals (RFP) process.~~

~~4. Bilateral contracts with non-affiliated entities.~~

~~5. Bilateral contracts with affiliated entities, provided that non-affiliated entities are provided notice of and an opportunity to beat any proposed contract before executing the transaction.~~

~~6. Any other competitive procurement process approved by the Commission.~~

~~B~~A.. LSE~~Utilities~~s shall use ~~an~~request for proposals (RFP) as the primary acquisition process ~~unless an exception is granted by the Commission. Exceptions may include the following:~~for long –term (greater than two years) energy, capacity and physical power hedge transactions. Exceptions to the RFP process for the procurement of long-term resources include:

1. For other components of energy procurement, such as transmission projects, fuels, and fuel transportation.
2. When a utility encounters a genuine, unanticipated opportunity to acquire a power supply resource at a clear and significant discount, when compared with the cost of acquiring

new generating facilities, that will provide unique value to customers.

B. ~~Utilities~~LSEs shall not be required to use the RFP process when procuring resources for durations of two years or less. Such transactions shall include purchases during emergencies and acquisitions necessary to maintain system reliability. Acceptable methods of short-term resource procurement include:

1. Purchases through third-party, on-line trading systems, including but not limited to the Intercontinental Exchange, Bloomberg, California Independent System Operator, New York Mercantile Exchange, or similar on-line third--party systems.
2. Purchases from qualified, third--party, independent energy brokers.
3. Bilateral contracts with non-affiliated entities.
4. Bilateral contracts with affiliated entities provided that non-affiliated entities are provided notice of and an opportunity to participate in any bidding process prior to execution of such contract.
5. Any other competitive procurement process approved by the Commission.

~~1. For emergencies.~~
~~2. For short-term acquisitions to maintain system reliability.~~
~~3. For other components of energy procurement, such as transmission projects, fuels, and fuel transportation.~~
~~4. When the planning horizon is two years or less.~~
~~5. When a utility encounters a genuine, unanticipated opportunity to acquire a power supply resource at a clear and significant discount, when compared with the cost of acquiring new generating facilities, that will provide unique value to customers.~~
~~6. For transactions that satisfy obligations under the Renewable Energy Standard rules and for demand-side management/demand response programs.~~

C. An independent monitor shall be used in all RFP processes for procurement of new resources.

D. The utility shall consult with staff and jointly select three to five companies or consultants (vendor list) who can serve as an independent monitor.

E. The utility shall file its vendor list in Docket Control for interested parties' review. Parties will have 30 days to object to a vendor's inclusion on the list.

F. Within 60 days of the filing of the vendor list, staff shall identify the vendors it determines are appropriate. Once the vendors are identified by staff, the utility would be able to retain any of the authorized vendors for future RFPs. The utility shall provide written notice to staff of its retention of the independent monitor.

G. The utility shall enter into a contract with the monitor and shall pay the monitor. Reasonable bidders' fees may be used to help offset these costs. When appropriate, the utility may request recovery of its payments to the monitor in customer rates.

H. One week prior to the deadline for submitting bids, the utility shall provide the independent monitor with a copy of any bid proposal prepared by the utility or its affiliate, or any benchmark or reference cost the utility has developed against which to evaluate the bids. The independent monitor shall take steps to secure the utility bid or benchmark price in a location not known or accessible to any of the bidders or the utility or its affiliate.

I. The LSE shall ~~independent monitor shall~~ provide reports prepared by the independent monitor, at least monthly, to staff throughout the RFP process.